A Comparative Study of Goods and Services Tax of India, France and Canada

A Synopsis

For the Award of

DOCTOR OF PHILOSPHY

IN

COMMERCE

2024

Under the Faculty of Commerce

L.N. MITHILA UNIVERSITY

KAMESHWARA NAGAR, DARBHANGA

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Introduction

Taxation is one of the most important sources of generation of revenue for the development of any economy in the world. In the global economy, there are various taxes which are broadly classified into two heads- Direct Taxes and Indirect Taxes. According to the most recent estimates from the International Centre for Tax and Development, total tax revenues account for more than 80% of total government revenue in about half of the countries in the world. For the smooth functioning of every economy, Government changes its policies and tax structure consistently. Taxation started growing sufficiently after the end of the First World War in 1919. Tax structure has undergone significant changes during the last 20 years in the world. Goods and Services Tax is the result of these changes in the tax system. Many of the emerging economies are introducing new indirect tax systems.

GST was first discussed on 2003 after the suggestions of Kelkar task force under the chairmanship of Sri Vijay Kelkar. A proposal to introduce national level GST by April 2010 was made on the budget speech of year 2006-07.

On July 1, 2017, Prime Minister Sri Narendra Modi unveiled the Goods and Services Tax (GST), India's largest tax reform since the country's independence. The Goods and Services Tax (GST) has been aimed at entailing a wave of short-term adjustments like obtaining multi-state registrations, interpreting provisions, determining the place of supply, transitional issues etc., even though its main goal is to wipe out the wrinkles left by the previous tax regime and improve ease of doing business. GST will thus replace all these taxes with one tax[1]

The Goods and Services Tax (GST), a destination-based tax, was implemented to replace other state and federal taxes, including Value Added Tax, Entry Tax, Octroi, Luxury Tax, Purchase Tax and Entertainment Tax.

Goods and Services Tax, a harmonized Indirect tax, was first designed by German economist in the 18th century. **France** is the first country that implemented Goods and Services Tax in 1954. Currently, there are 175 countries in the world that have implemented GST. After the implementation of GST in France various counties like New Zealand, Singapore, Indonesia, China, etc. implemented GST. In India, GST was implemented w.e.f. 1st July, 2017. Some countries have a dual GST model including India, Brazil, and Canada. European Countries have only single rate of GST.

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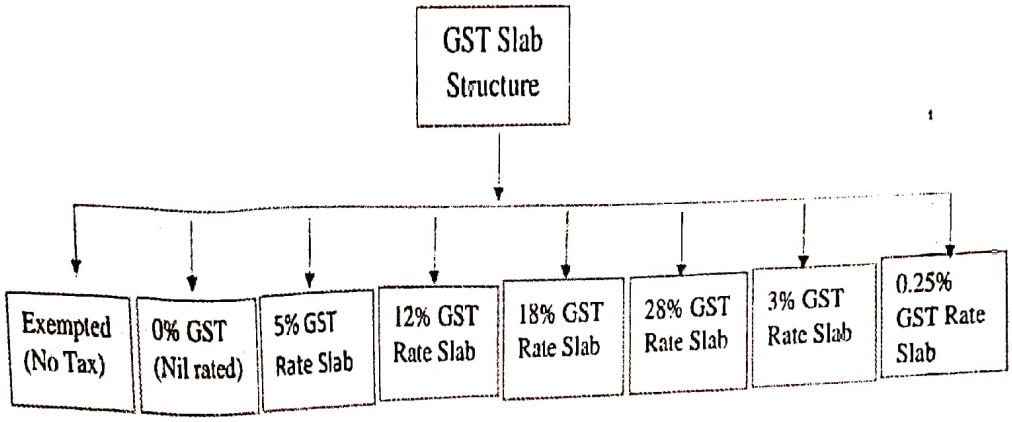

Figure 1: Various rates of GST applicable in India

Figure 1 shows the Structure of GST, which includes 7 tax rates. The GST structure of India is based on the dual system which includes: CGST and SGST/UTGST. GST law includes unique principles, inspired by VAT/ GST legislation of EU, Australia, and Malaysia along with International VAT/GST guidelines of the OECD. Some of the changes during past few years include reduction in excise duties in post global financial & economic crisis, alignment of custom tariffs to the levels prevailing in ASEAN countries, introduction of Service tax in 1994-95 besides introduction of the Constitution (115th Amendment) Bill in the Lok Sabha in March 2011 to operationalize 'Goods & Services Tax' (GST).

GST in Other Countries

France was the first country to implement the Goods and Services Tax in 1954. After the implementation of GST in France various countries adopted GST including China, Canada, Singapore, New Zealand, and Australia. China implemented it in 1994 while Russia adopted in 1991.

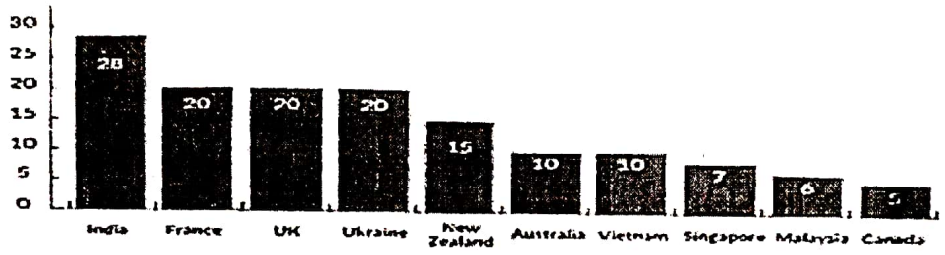

Figure 2: GST around the world

Figure 2 shows the GST rates around the world. India has the 28% GST rate and Canada has the lowest rate which is 5% in their respective GST structure.

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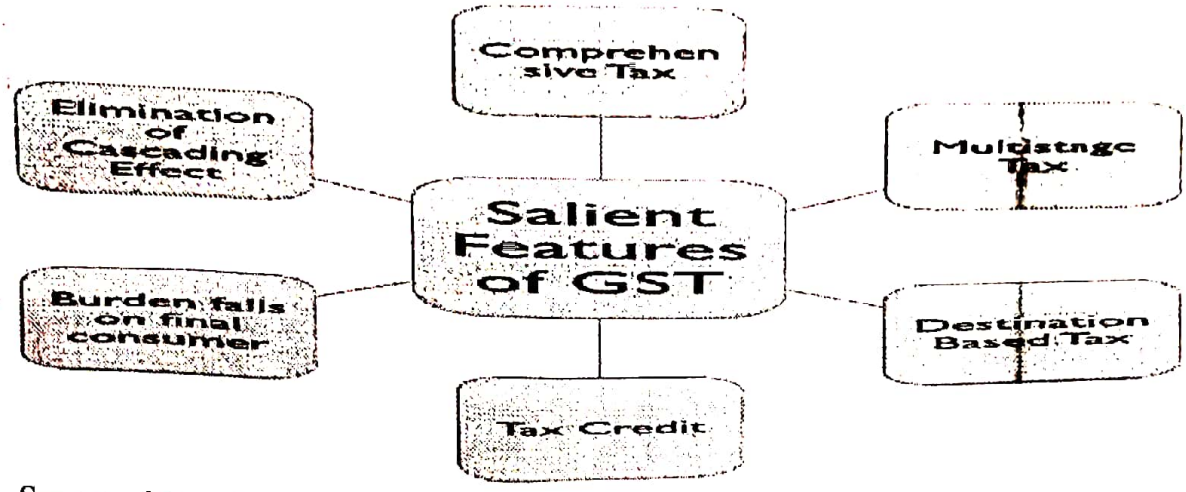

Source - https://businessjargons.com/goods-and-services-tax-gst.html

Rationale of the Topic

France is regarded as the pioneer of GST as it was the first country in the world to implement GST in 1954. The GST model adopted by India is based upon GST model of Canada. Therefore this research work is aimed at understanding the impact of GST on Indian Economy and it will include in- depth comparative study of GST models of India, France and Canada.

Comparative Analysis of GST in India with France and Canada

The comparative analysis of GST in India is done with France and Canada. The comparison is taken on the basis of various basis including return, Tax Slab, Tax Rates etc.

Basis	India	France	Canada
Introduce in	2017	1954	1991
Threshold limit	Rs.40 Lakhs (for goods) and Rs.20 (for services)	The VAT registration threshold is €35,000 per annum	$30,000 GST/HST is threshold limit
Tax Slab	4 Tax Slab Rate	4 Tax Slab Rate	3 Tax Slab Rate
Tax Rates	0%, 5%, 12%, 18%, 28%	20%, 10%, 5.5%, 2.1%	GST 5% and HST varies from 0% to 15%
Exempts	Books, postal items, Newspapers, Organic manure, Vaccine etc.	Education, healthcare and financial services etc.	Milk, Grain, Fishery products, Educational services, Money lending along with bank fees etc.
Return	GSTR	VAT	GST/ HST

Table 2: Indian GST model compared with GST in France and Canada

19/4/24

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Table 2: shows the comparison of India's GST with France and Canada. Threshold limit to get register under GST is 40 lakhs in India for goods and 20 lakhs for services, and 35,000 Euro in France is threshold limit and S 30,000 in Canada threshold limit.

India and Canada

After comparing India's GST with Canada, it has been found that GST is known in Canada as a Federal GST & Harmonized Sales Tax (HST). It has been implemented in Canada earlier than India. Threshold limit to get register under GST in Canada is low as compared to India. GST34 is the return which is filed by the taxpayer in the Canada, but this return in India is known as GSTR. India has four slabs of tax but Canada has the single slab of tax.

India and France

After comparing India's GST with France, it has been found that GST is known in France as a GST/VAT. It has been implemented in France earlier than India. Threshold limit to get register under GST in France is higher as compared to India. VAT return is filed by the taxpayer in the France, but this return in India is known as GSTR. India has four slabs of tax similarly France has also the four slabs of tax, but the maximum rate of GST is 20% in France which is lower than India.

Review of Literature

"Agogo Mawuli (2014) studied, "Goods and Service Tax-An Appraisal". In this paper, the Researcher discussed the impact of GST on the economy of Papua New Guinea (PNG). The researcher suggested that low-income countries require a low rated GST. The Researcher observed that many developing 'countries including India have a higher GST rate as compare to underdeveloped countries. This paper concluded that GST is not good for underdeveloped countries like PNG and GST is also not provided any broad-based growth. If low-income countries want to implement it then its rate should be less.

Khurana Akansha (2016) in their study named, "Goods and Services Tax in India A positive reform for indirect tax System" studied the GST in foreign countries like Singapore, New Zealand, Australia, France, Canada, etc. The objective of this study is to examine the benefits, opportunities of GST and its impact on the economy. This study concluded that GST has positive impact on FMCG, Infrastructure, Small Enterprises and Food Industry.

Gupta Saurabh et al. (2017), studied "Good and Service Tax: An International Comparative Analysis" and compared India's GST with other countries on the basis of model, structure, collection of tax and valuation. Researchers presumed that the GST would be significant reform in the indirect tax system in India by merging of Central and State taxes into a single tax system. This study concluded that GST removes the effect of double taxation and lead to easier

19/4/24

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administration and enforcement. Researchers further found that Denmark and Sweden have a high GST/VAT rate which is 25%.

Lourdunathan & Xavier (2017) conducted a study based on exploratory research technique on the basis of past literature to study the opinions of manufacturers, traders, society etc. about the GST and the challenges and prospects of introducing GST in India. They concluded that no doubt GST stands with one tax one nation slogan and will provide relief to producers as well as consumers. Its efficient implementation will lead to resource and revenue gains.

They also said that seamless credit and return processing without human intervention requires educating, training, and conducting workshops on GST on the part of government.

Mujalde and Vani (2017) in their research paper on 'Goods and Services Tax (GST) and its outcomes in India' focused on the features of GST, impact of GST on Indian economy and discussed possible advantages and challenges of GST.

Nath (2017) in his paper on 'Goods and Services Tax: A Mile Stone in Indian Economy' discussed benefit and impact of GST on Indian economy and also conclude that GST has a positive impact on various sectors and industries.

Kawle and Aher (2017) in their research paper highlighted the working of GST in India along with its impact on the Indian economy.

Nayyar and Singh (2017) in their study cited that introduction of GST is a major breakthrough in the Indian economy. It will help in redefining the Indian Tax Structure by being more transparent and corruption free.

Abda (2017) in his research paper concentrated on the objectives, purpose and benefits of GST to our economy and how it will help in strengthening it.

Mitra Priya (2017) stated GST as a Gaine changer in Indian Economy. The paper showed that GST reduced complexity of various taxes and also removed cascading effect. Tax structure shown in paper in which various tax rates included. Impact on Tax incidence included various sectors such as Telecom, E- Commerce, Automobile, real estate, banking and consumer goods. Impact on input tax credit showed that there would be availability of cross credit utilization in CGST and SGST.

Kapoor (2017) critically examined GST implementation, models, mechanism, issues and challenges. Development stages GST in India studied in this paper. Exclusions from GST which is petrol alcohol, tobacco, Diesel and some benefits such as simplicity, transparency, cascading effect, reduction in burden of tax tax revenue collection, economic growth and no tax for exporters are included in this paper. Challenges also studied in the paper. So, the paper concluded that proper implementation of GST will lead to economic growth.

Rupa R. (2017) in her research paper explained the concept of GST. Also, she highlighted the advantages and disadvantages of GST in our economy.

19/4/24

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Yadav and Shankar (2018) in their research paper analyzed the history and evolution of GST in the country and how it has replaced various indirect taxes.

Statement of the Research Problem

The research work relates to the model of Goods and Services Tax adopted in India through the Central Goods and Services Act,2017. A new era has been started in the indirect taxation system of our country. It's a tax system which has converted entire country in integrated market. **"One Nation One Tax"** is the motto of this indirect tax system.

- This research work will enable the researcher to find out to what extent the implementation of GST in India and in Bihar has affected the total revenue generated by the Government of India and the Government of Bihar.
- The research work will reflect to what extent the models of GST in France and Canada are similar to the GST model developed for India.
- The research work will be aimed at deciphering the challenges and opportunities of Indian GST model so that we can come out with valuable suggestions to the Government to devise ways and means to make Indian GST Model exemplary for the entire world.

Objectives of the study

- To compare the Indian GST model with the GST Models of France and Canada
- To evaluate the impact of implementation of GST in India on the total revenue generated by the Government of India and the Government of Bihar through GST.
- To analyze the relationship of Indian GST system with that of France and Canada
- To study the variations between GST model of India and other selected countries and to decipher some good practices of these countries that can be useful for India in the long run.
- To decipher the challenges and opportunities of Indian GST system so that useful suggestions can be given to the Government of India to make Indian GST Model exemplary for the whole world

Importance of the Study

- This study involves analysis of the differences between the Indian GST model and those of a few other chosen nations, and to identify some best practices from these nations that India may find advantageous in the future. This will contribute towards strengthening and enrichment of GST model in India.
- The study is associated with analysing the limiting factors, problems and possibilities related to the Indian GST system in order to provide the Indian government with recommendations that will help make the Indian GST Model a model for the entire world.
- The study will involve in-depth assessment of the impact of implementation of GST on the overall revenue collected by the Government of India and Government of Bihar so

19/4/24

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that we can come out with valuable suggestions to the Government regarding maintaining a sustainable GST Model in the long run.

- With the help of this study, we can examine the relationship of GST systems in India, France, and Canada.

Hypotheses

Hypothesis-1: Implementation of Goods and Services Tax in India has a positive impact on the revenue of the Government of India and the Government of Bihar.

Hypothesis-2: There is a significant variation between the GST models of India, France and Canada

Research Methodology

Data collection
Primary and Secondary both data will be collected for the study purpose.

Primary Data
Primary data will be collected using Schedule, Questionnaire and Interview.

Secondary Data:
The study is based on the secondary source of data or information. Different books, newspapers and relevant websites, Government publications and research papers will be consulted in order to make the study more effective.

So, data and information for our study would be collected primarily through secondary sources. The sources may be different

Books, Journals and Magazines, Reports-Government and Non-Government, Newspapers and Economic Dailies, Websites etc.

Sampling size/ Techniques and method
Sample size of 400 will be taken and data from selected stakeholders of GST will be collected through the use of Questionnaire, Schedule and Interview. It will be selected using Random and Non Random Sampling method.

Research Area
This study covers the model and administrative policy of Indian GST with compare to other Countries.

Statistical Methods
The data thus collected, will be analysed by using suitable statistical and mathematical tools and techniques like- Ratio, Proportion, Percentage, Trend Analysis, Pie Charts, ANOVA, T- test

19/4/24

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Results of analysis and interpretation will get presented taking help of tabulated figures in a comprehensive manner.

Plan of Work

The present study will be presented through following five chapters tentatively :

Chapter I: Introduction

The first chapter will include an introduction to Goods and Services Tax, background of GST, A comparison between GST , VAT and Sale Tax, Rationale of GST, Importance of GST for Indian Economy, its impact on Indian Economy and it will highlight the features of GST framework in India.

Chapter II : GST Act in India France and Canada: An overview

This chapter will highlight the factors leading to the enactment of the Central Goods and Services Tax Act, 2017, main features of the Act, Role of Central Board of Indirect Tax and Customs, Special provisions in GST Act, A comparative study of GST Act of India, France and Canada.

Chapter III: Impact of GST on Indian Economy and on the Economy of Bihar

This chapter will include an analysis of the impact of GST on the economy of India and Bihar, contribution of GST towards increase in the revenue of the Government of India and Bihar, creation of employment opportunities during post GST era, improvement of India's ranking with regards to Ease of Doing Business during post GST period and creation of Digital infrastructure for the effective implementation of GST.

Chapter IV: Comparative study of GST of India, France and Canada

This chapter relates to a comparative analysis of the impact of Goods and Services Tax on India and other selected countries. Sample size of 400 will be taken and data from selected stakeholders of GST will be collected through the use of Questionnaire, Schedule and Interview. It will be selected using Random and Non Random Sampling method.

- The data thus collected, will be analysed by using suitable statistical and mathematical tools and techniques like- Ratio, Proportion, Percentage, Trend Analysis, Pie Charts, ANOVA and T- test.

Chapter V: Findings, Conclusion and Suggestions

The chapter will comprise a summary of the entire research work .A number of recommendations and suggestions will be put forth which may be beneficial for the effective execution of GST Act in India so that GST model of India proves to be impeccable in the long run.

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